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December 4, 2003

Mary L. Cottrell, Secretary  
Department of Telecommunication and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

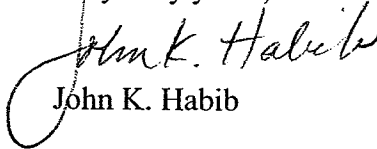
Re: Boston Edison Company, D.T.E. 03-112

Dear Secretary Cottrell:

Please find attached an original and nine (9) copies of the complete version of the Pre-Filed Testimony of Bryant K. Robinson, originally submitted by Boston Edison Company ("Boston Edison" or the "Company") in this proceeding on October 31, 2004. It has come to my attention recently that page 3 of the testimony was inadvertently missing from the original document.

Thank you for your attention to this matter.

Very truly yours,

  
John K. Habib

Enclosures

cc: Joseph Rogers, Esq., Assistant Attorney General  
Colleen McConnell, Esq. Assistant Attorney General  
Tam Ly

**BOSTON EDISON COMPANY  
d/b/a NSTAR ELECTRIC**

**Testimony of Bryant K. Robinson**

**D.T.E. 03-\_\_**

**1 I. INTRODUCTION**

**2 Q. Please state your name and business address.**

3 A. My name is Bryant K. Robinson. My business address is One NSTAR Way,  
4 Westwood, Massachusetts.

**5 Q. By whom are you employed and in what capacity?**

6 A. I am employed by NSTAR Electric & Gas Corporation ("NSTAR") as a Principal  
7 Analyst. In this capacity, I am responsible for preparing regulatory filings  
8 concerning the financial requirements of Cambridge Electric Light Company  
9 ("Cambridge Electric"), Commonwealth Electric Company, Boston Edison  
10 Company ("Boston Edison" or the "Company") and NSTAR Gas Company.

**11 Q. Please describe your education and professional background.**

12 A. I graduated from the University of Massachusetts – Dartmouth in 1978 earning a  
13 Bachelor's degree in Finance and from Northeastern University in 1988 with a  
14 Master's in Business Administration. For the years 1978 to 1983, I worked in the  
15 banking industry with State Street Bank and Trust Company and Boston Safe  
16 Deposit and Trust Company. In 1983, I joined Boston Edison's Audit  
17 Department, and held Staff Auditor and Senior Auditor positions. In 1989, I  
18 joined the Revenue Requirements Department as a Financial Research Analyst.  
19 Subsequently, I have held positions as Senior Financial Research Analyst and  
20 Senior Financial Consultant.

1 **Q. Have you previously testified in any formal hearings before regulatory**  
2 **bodies?**

3 A. Yes, I presented testimony in the Company's Transition Charge true-up  
4 proceedings, D.T.E. 01-78 and D.T.E. 00-82, D.T.E. 99-107 and D.T.E. 98-111.  
5 In addition, I have presented cost-of-service testimony regarding the wholesale  
6 fuel adjustment clause to the Federal Energy Regulatory Commission ("FERC").

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is: (i) to summarize this filing; (ii) to describe as  
9 applicable here the divestiture requirements of Chapter 164 of the Acts of 1997  
10 (the "Act") and the Company's Restructuring Settlement (the "Settlement")  
11 approved by the Department of Telecommunications and Energy (the  
12 "Department"); (iii) to describe how the planned divestiture (the "Divestiture") of  
13 the land located off Vine and LaGrange Streets, principally in Newton,  
14 Massachusetts (the "Property") through an open and competitive process  
15 maximized benefits to customers; and (iv) to describe the Company's proposed  
16 treatment of the divestiture proceeds on the Company's transition charge.

17 **II. SUMMARY OF FILING**

18 **Q. Please describe the nature of this filing.**

19 A. In this proceeding, the Company is seeking Department approval of the sale of the  
20 Property to Cornerstone Corporation ("Cornerstone") and associated ratemaking  
21 treatment. For purposes of the transaction, as described herein, Cornerstone has  
22 joined with the City of Newton, Massachusetts to effectuate the sale. The

1 Company proposes to sell the Property to Cornerstone for \$15.1 million (subject  
2 to certain adjustments at closing). If approved, the sale will allow the Company to  
3 maximize the mitigation of its transition costs that would otherwise be charged to  
4 customers. In support of its Petition, the Company has provided the Department  
5 with four exhibits, in addition to my testimony: (1) the Purchase and Sale  
6 Agreement between the Company and Cornerstone, dated August 26, 2003 (Exh.  
7 NSTAR-BKR-2); (3) the marketing materials used by the Company, including an  
8 Offering Memorandum (Exhs. NSTAR-BKR-3 (a) through (d)); and (4) an  
9 analysis of the net proceeds associated with the divestiture (Exh. NSTAR-  
10 BKR-4).

11 **III. DIVESTITURE REQUIREMENTS**

12 **Q. Please describe the divestiture requirements of the Act and the Settlement**  
13 **with respect to the Property.**

14 **A.** The Act requires that the Company undertake all reasonable steps to mitigate its  
15 transition costs and encourages companies to divest their non-nuclear generating  
16 assets. See G.L. c. 164, § 1G(d)(1). The Department has previously approved the  
17 Company's Settlement, finding, among other things, that the Settlement's  
18 transition cost recovery provisions are consistent or substantially comply with the  
19 essential requirements of the Act, are consistent with Department precedent, will  
20 contribute to an orderly transition to retail competition, and are in the public  
21 interest. D.P.U./D.T.E. 96-23, at 47. The Company committed in its Settlement  
22 to reduce transition costs through several means, including: (1) by divesting its

1 fossil-fueled generation assets; and (2) by divesting and/or renegotiating its Power  
2 Purchase Agreements (see Settlement at 27-30). The Company also committed in  
3 its Settlement to include as part of its transition costs the net book value  
4 associated with the Property (Settlement at Attachment 3, § 1.1(a)(vii)).  
5 Accordingly, as part of its responsibility to mitigate transition costs, the Company  
6 proposes to apply the net proceeds of the sale of the Property as an offset to its  
7 transition charge. Therefore, the Company seeks Department approval of the  
8 Divestiture and the associated ratemaking.

9 As described below, the Company's efforts to market the Property have resulted  
10 in a price for the Property that significantly exceeds its book value and that will  
11 provide savings for customers that would not otherwise be available absent the  
12 sale of the Property. Accordingly, the Company has met the Act's requirement for  
13 divestiture in that a high and reasonable price was achieved that maximizes the  
14 Property's value. The Company presents the results of its open and competitive  
15 sales process for review and is requesting that the Department approve the  
16 transaction as in compliance with the Act and the Company's Settlement.

17 **IV. DESCRIPTION OF THE PROPERTY AND THE DIVESTITURE**  
18 **PROCESS**

19  
20 **Q. Please describe the Property.**

21 **A.** The Property consists of two parcels of vacant land. Specifically, the "North  
22 Parcel" of the Property is approximately 33.48 acres, located off Vine and

1 LaGrange Streets in the City of Newton (Exhibit NSTAR-BKR-2, at Page I-2).  
2 The "South Parcel" of the Property is approximately 8.88 acres, located off Vine  
3 and LaGrange Streets, principally in the City of Newton, with a portion  
4 comprising approximately 444 square feet, located in the City of Boston. The  
5 Property is zoned for single family-residential use.

6 **Q. Why did the Company decide to sell the Property?**

7 A. As part of the Department-approved Settlement, the Company agreed to treat its  
8 costs associated with the Property as a component of its transition charge and to  
9 return the net proceeds of any subsequent sale in the Residual Value Credit. As  
10 part of the Company's ongoing efforts to mitigate its transition costs, the  
11 Company determined that it would likely receive significant proceeds from the  
12 sale of the Property if it auctioned the Property through an open and competitive  
13 process. Accordingly, as discussed herein, the Company offered the Property for  
14 sale during the first quarter of 2003.

15 **Q. Please summarize the Company's Divestiture process.**

16 A. During January 2003, the Company's real estate sales agent, Insignia/ESG, Inc.  
17 ("Insignia") began offering the Property for sale. The Property was marketed  
18 locally, nationally, and internationally, through a variety of means. In particular,  
19 Insignia used its expertise to market the Property to hundreds of potential buyers  
20 through such varied means as mass electronic mailings, flyers, newspaper  
21 advertisements, and direct correspondence. In addition, Insignia marketed the

1 Property via an Internet site dedicated solely to information regarding the  
2 Property, which was accessible throughout the world via the World Wide Web.  
3 Copies of Insignia's marketing materials are attached as Exhibits NSTAR-  
4 BKR-3(a) through (d).

5 **Q. What information was provided to potential purchasers?**

6 A. Insignia's initial marketing efforts included distribution of materials describing  
7 the Property with a notification that it would be conducting a Sealed Bid sale,  
8 with all bids due on February 21, 2003. The marketing materials directed the  
9 recipient to the previously mentioned dedicated web-site,  
10 www.lagrangelandsale.com, which included information regarding the Property  
11 and offer, reflected primarily in three documents: (1) an Offering Memorandum;  
12 (2) a draft Purchase and Sale Agreement; and (3) a site development report.  
13 Insignia requested that interested parties submit bids on the Property under an  
14 assumption that no significant changes would be made to the Purchase and Sale  
15 Agreement, and that the Property would be sold "as is."

16 **Q. What was the response to Insignia's marketing effort?**

17 A. From January 10, 2003 through early February, over 300 individuals and  
18 organizations registered on Insignia's dedicated website to receive information  
19 regarding the Property sale. Insignia's marketing materials also included a phone  
20 number for the principal brokers of the sale, in the event that registrants had  
21 questions regarding the Property and disposition process.

1   **Q.    Did Insignia's initial marketing effort yield any results?**

2    A.    Although, as stated above, several hundred registrants had sought information  
3           regarding the Property during January and early February, approximately two  
4           weeks before bids were due (February 21, 2003), the City of Newton asked for an  
5           extension to submit a bid. Because the Property is sited primarily in Newton, the  
6           Company concluded that accommodating the City to the extent possible was in  
7           the public interest. Accordingly, the Company agreed to extend the deadline for  
8           bids for four months, until June 20, 2003.

9   **Q.    How did Insignia notify potential purchasers of the extension?**

10   A.    On February 14, 2003, Insignia sent letters to those parties that had responded to  
11           Insignia's initial marketing efforts by registering on Insignia's dedicated website  
12           (approximately 300), notifying them that the "call for offers" had been extended  
13           to June 20, 2003. Moreover, several dozen organizations and individuals  
14           registered on Insignia's dedicated website after the decision had been made to  
15           extend the bid deadline and, accordingly, the fact that the bid deadline had been  
16           extended was reflected on Insignia's website. In all, almost 400 registrants were  
17           provided an opportunity to submit bids by the extension date of June 20, 2003.

18   **Q.    Did the Company receive any offers in addition to Cornerstone by**  
19           **June 20, 2003?**

20   A.    Yes. The Company received eight offers for the Property by June 20, 2003,  
21           including the cooperative bid of Cornerstone and the City of Newton.



1   **Q.    How did the Company determine the leading bidders?**

2    A.    In addition to Cornerstone, three other bidders submitted "conforming" offers,  
3           which were offers to purchase the Property based on the purchase and sale  
4           agreement included with the Offering Memorandum, without additional  
5           conditions. Of these bids, the Company determined that, in order to maximize the  
6           proceeds from the sale of the Property, it would provide the two highest bidders  
7           the opportunity to participate in a second round of bidding.

8   **Q.    What was the result of the second round of bidding?**

9    A.    Cornerstone and the City of Newton submitted the higher bid, with the City of  
10          Newton agreeing to contribute approximately \$6 million toward a purchase price  
11          of \$15.1 million.

12   **Q.    Do you believe that the Company's Divestiture process has maximized the**  
13          **value of the Property?**

14   A.    Yes. The Company and Insignia actively marketed the Property through an open  
15          and competitive process, resulting in discussions with various potential buyers to  
16          purchase the Property. These marketing efforts included solicitations typical to  
17          those performed throughout Massachusetts by marketers of large real estate sites,  
18          including solicitations to the largest local, national and international companies,  
19          as well as to the City of Newton. In particular, Insignia's expertise in selling  
20          similar parcels of land and locating interested purchasers was an integral part of  
21          the sales process. Insignia's substantial experience as a real estate broker and

1 multitude of approaches to marketing the Property, including personal and  
2 professional contacts, internet listings, and its extensive real estate network,  
3 ensured that it was able to identify the full spectrum of interested parties who  
4 would place the highest value on the Property. Because of Insignia's  
5 independence and wealth of experience in marketing real estate similar to the  
6 Property, an open and competitive process was achieved to sell the Property for  
7 the benefit of customers.

8 Moreover, the Company's decision to seek a second round of bids after its initial  
9 conforming bids were received resulted in the Company receiving a higher price  
10 for the Property than if the Company had not sought a second round of bids.  
11 Based on the open and competitive process used by the Company, the price  
12 offered by Cornerstone is an excellent price, reflecting the maximum value of the  
13 Property. Accordingly, in light of Insignia's efforts to sell the Property and the  
14 substantial sales price offered by Cornerstone, the Company believes that it has  
15 achieved the maximum value of the Property through a competitive marketing  
16 effort.

1   **V.     DESCRIPTION OF THE PURCHASE AND SALE AGREEMENT**

2   **Q.     Please describe the specific transactions in this divestiture.**

3   A.     There is one agreement involved in this divestiture, the Purchase and Sale  
4           Agreement between the Company and Cornerstone/Newton (the "PSA") (Exh.  
5           NSTAR-BKR-2). A copy of the document is attached and is described below.

6   **Q.     Please describe the terms of the PSA.**

7   A.     The Company is selling to Cornerstone via the PSA the North and South Parcels  
8           of land, as described previously, totaling approximately 42 acres (Exh. NSTAR-  
9           BKR-2, at Section A). The City of Newton is a co-signatory to the agreement for  
10          the limited purpose of acknowledging to the Company that it has a separate  
11          agreement with Cornerstone under which Cornerstone may request that the  
12          Company issue a deed for portions of the Property to the City of Newton, in  
13          exchange for a portion of the purchase price to be paid by the city (Exh. NSTAR-  
14          BKR-2, at Sections C, 7.2.1 and 16).

15   **Q.     What considerations will affect the closing for the sale of the Property?**

16   A.     The PSA requires the Company to obtain Department approval of the sale as  
17          expeditiously as possible (Exh. NSTAR-BKR-2, at § 6.2 (page I-8)). The PSA  
18          anticipates that the sale will close as of January 7, 2004. Accordingly, Company  
19          requests that the Department approve the transaction expeditiously.

20   **Q.     Are there any other conditions that would affect the timing of the closing?**

21   A.     Yes. The title to the Property must be free from any encumbrances other than

1 those referenced in an attachment to the PSA (Attachment H, regarding title  
2 commitments). Moreover, any additional matters that first arise after the date of  
3 the Title Commitment, as defined in the PSA, must not materially interfere with  
4 the use of the Property for single-family residential purposes (Exh. NSTAR-  
5 BKR-2, at § 6.1.1 (page I-7)).

6 **VI. EFFECT OF THE SALE OF THE PROPERTY ON THE COMPANY'S**  
7 **TRANSITION CHARGE**

8 **Q. Please describe the exhibit attached to your testimony relating to the**  
9 **Company's transition cost analysis.**

10 A. I have included an exhibit that calculates the net benefit flowing to the Company's  
11 customers as a result of the sale of the Property (see Exh. NSTAR-BKR-4). This  
12 exhibit shows the sale price of \$15.1 million and deducts from this price the net  
13 book value of the plant and a current estimate for transaction costs based upon an  
14 estimated closing date of January 2004. Based on this analysis, the net proceeds  
15 from the sale of the Property total approximately \$13.5 million.

16 **Q. How does the Company propose to reflect the net proceeds in the Company's**  
17 **Transition Charge?**

18 A. The Company proposes to flow back the net proceeds in the Company's transition  
19 charge consistent with the Department's order in Cambridge Electric Light  
20 Company, D.T.E. 02-76 (2002) regarding the sale of Blackstone Station. In that  
21 proceeding, because part of the costs of Blackstone Station were historically  
22 recovered as part of the fixed component of Cambridge Electric's transition

1 charge, the Department directed Cambridge Electric to mitigate its total transition  
2 costs symmetrically by flowing the net proceeds from the sale of Blackstone  
3 Station to customers first through the fixed component, to the extent that  
4 Blackstone-related transition costs had been recovered from the fixed component,  
5 and flow the remainder of the proceeds to customers through the variable  
6 component. Accordingly, the Company proposes to flow back proceeds relating  
7 to the book value of the Property, approximately \$787,000, through the fixed  
8 component of its transition charge, and flow back the remaining net proceeds to  
9 customers through the variable component.

10 **Q. When does the Company propose to adjust its transition charge to reflect the**  
11 **net proceeds related to the Divestiture?**

12 A. The transition charge impact from the sale of the Property will be reflected in the  
13 Company's next transition cost reconciliation filing after the closing of the sale.

14 **Q. What are the total savings attributable to the sale?**

15 A. Based on a projected closing date in 2004, the total estimated savings to the  
16 Company's retail customers attributable to the sale of the Property are  
17 approximately \$13.5 million (Exh. NSTAR-BKR-4).

18 **Q. Does the Company's analysis support the decision to sell the Property to**  
19 **Cornerstone and City of Newton?**

20 A. Yes, it does. As shown in Exhibit NSTAR-BKR-4 and stated previously, the total  
21 Transition Charge savings to the Company's retail customers are estimated to be  
22 approximately \$13.5 million. The sale is the result of an open and competitive

1 process and the highest and best proposal was selected in order to maximize the  
2 mitigation of transition costs. Accordingly, the sale of the Property to  
3 Cornerstone and the City of Newton provides substantial savings to the  
4 Company's customers.

5 **Q. Does this conclude your testimony?**

6 **A.** Yes, it does.

**Exhibit NSTAR-BKR-4**

D.T.E. 03-\_\_

**Boston Edison Company**  
Sale of LaGrange Street, Newton  
Forecast of Net Proceeds (as of January 2004)

<u>Line</u>	<u>Description:</u>	<u>Amount</u>
1	Sales Price	\$15,100,000
2	Book Value of Property	<u>\$787,400</u>
3	Gross Proceeds	\$14,312,600
4	Less:	
5	Registry Fees	\$68,856
6	Closing Fees	\$15,000
	Legal Fees -(Sale and	
7	Regulatory-Related)	\$150,000
8	Broker Fees	\$504,000
8	Other Sales Costs	<u>\$110,000</u>
9	Total Sales Costs	<u>\$848,356</u>
10	Net Proceeds	<u><u>\$13,464,244</u></u>